

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook

14 May 2004

The Board of Directors
Mycron Steel Berhad
Suite 20.03, 20th Floor
Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sirs

ACCOUNTANT'S REPORT

1. INTRODUCTION

This report has been prepared by Moores Rowland, approved company's reporting accountants, for inclusion in the Prospectus to be dated 25 May 2004 in connection with the Public Offer of 44,938,000 new ordinary shares of RM1.00 each in Mycron Steel Berhad (hereinafter referred to as "MSB" or "the Company") at an offer price of RM1.40 per share, and the listing of and quotation for the entire enlarged issued and paid-up share capital of MSB of 179,000,000 ordinary shares of RM1.00 each on the Main Board of Bursa Malaysia Securities Berhad.

11. ACCOUNTANTS' REPORT**2. GENERAL INFORMATION****2.1 Background**

The Company was incorporated in Malaysia as a public limited company on 24 July 2003 under the name of Mycron Steel Berhad.

The authorised share capital of MSB as at the date of this report is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each.

The issued and paid-up share capital as at the date of this report is RM134,062,000 comprising 134,062,000 ordinary shares of RM1.00 each.

2.2 Principal Activity

The principal activity of the Company is investment holding.

2.3 Changes in Share Capital

Details of the changes in the issued and paid-up share capital of MSB since incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Purpose	Total issued and paid-up share capital (cumulative) RM
24 July 2003 (Date of incorporation)	2	Subscribers' shares	2
29 March 2004	134,061,998	Acquisition of Subsidiary company	134,062,000

II. ACCOUNTANTS' REPORT

Upon completion of the Public Offer of 44,938,000 new ordinary shares of RM1.00 each, the issued and paid-up share capital of MSB will be increased to RM179,000,000 comprising 179,000,000 ordinary shares of RM1.00 each.

2.4 Acquisition of a Subsidiary Company

As an integral part of its public flotation scheme, MSB acquired the entire issued and paid-up share capital of Mycron Steel CRC Sdn Bhd ("MSCRC", *formerly known as Cold Rolling Industry (Malaysia) Sdn Bhd*) comprising 60,000,000 ordinary shares of RM1.00 each at a total purchase consideration of RM134,061,998 from Melewar Industrial Group Berhad ("MIG", *formerly known as Maruichi Malaysia Steel Tube Berhad*). The purchase consideration for the acquisition was satisfied entirely through the issue of 134,061,998 new ordinary shares of RM1.00 each in MSB. The acquisition was completed on 29 March 2004.

2.5 Public Offer

As part of the listing exercise, MSB will implement a public offer of 44,938,000 new ordinary shares of RM1.00 each, representing 25.1% of the enlarged issued and paid-up share capital of the Company, at an offer price of RM1.40 per share, to be allocated in the following manner:

- (a) 4,833,000 ordinary shares, representing 2.7% of the enlarged issued and paid-up share capital of MSB, will be reserved for application by bumiputera investors approved by the Ministry of International Trade and Industry ("MITI");
- (b) 8,950,000 ordinary shares, representing 5.0% of the enlarged issued and paid-up share capital of MSB, will be made available for

11. ACCOUNTANTS' REPORT

application by Malaysian citizens, companies, societies, co-operatives and institutions;

- (c) 11,052,000 ordinary shares, representing 6.2% of the enlarged issued and paid-up share capital of MSB, will be reserved for application by eligible directors, employees and business associates of MSB Group as well as eligible directors and employees of MIG; and
- (d) 20,103,000 ordinary shares, representing 11.2% of the enlarged issued and paid-up share capital of MSB, will be reserved for private placement to identified investors.

The proceeds from the Public Offer totaling RM62,913,200 (44,938,000 shares at RM1.40 per share) are to be utilised for the following:

	RM'000
Repayment of bank borrowings	25,000
Working capital	34,913
Estimated listing expenses	3,000

	62,913
	=====

The estimated listing expenses amounting to RM3,000,000 are to be written off against the share premium account.

11. ACCOUNTANTS' REPORT**3. BACKGROUND OF THE SUBSIDIARY COMPANY****Subsidiary Company**

MSCRC was incorporated in Malaysia on 6 January 1989 under the Companies Act, 1965 as a private company limited by shares and it commenced production in June 1990. MSCRC is principally engaged in the manufacturing and trading of cold rolled steel sheets in coils. On 1 October 1996, MSCRC achieved MS ISO 9002 Certification for the manufacture of cold rolled steel sheets in coils. The company was granted pioneer status by the MITI for a tax relief period of five years from 1 October 1990 to 30 September 1995 under Section 14A of the Promotion of Investments Act, 1986. The tax relief period was extended for another five years from 1 October 1995 to 30 September 2000.

The authorised share capital as at the date of this report is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at the date of this report is RM60,000,000 comprising 60,000,000 ordinary shares of RM1.00 each.

The movements in the issued and paid-up share capital of MSCRC since the date of incorporation until the date of this report are as follows:

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Total issued and paid-up capital (cumulative) RM
6 January 1989 (Date of incorporation)	2	Cash	2
12 September 1989	13,925,998	Cash	13,926,000
15 May 1990	6,074,000	Acquisition of freehold land	20,000,000
8 January 1991	20,000,000	Cash	40,000,000
30 December 1991	20,000,000	Cash	60,000,000

Subsequent to the Acquisition in Section 2.4 above, MSB and MIG are the immediate and ultimate holding companies respectively of MSCRC.

11. ACCOUNTANTS' REPORT**4. FINANCIAL STATEMENTS AND AUDITORS**

We were appointed as auditors of MSCRC from its first financial year ended 31 January 1990 to 31 January 2003.

The financial statements of MSB and MSCRC for the period/year ended 31 January 2004 were audited by another firm of chartered accountants.

The respective auditors' reports of MSB for the period ended 31 January 2004 and of MSCRC for the five financial years from 31 January 2000 to 2004 were not subject to any qualification.

5. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is based on the audited financial statements and is presented on a basis consistent with the accounting policies adopted by MSB and those previously adopted by MSCRC except that certain reclassifications have been made, where appropriate, principally to comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

6. DIVIDENDS

MSB has not paid any dividend since its incorporation.

The dividends paid or declared by MSCRC during the financial years under review are as follows:

Year ended	Dividend rate	Tax rate	Net dividend paid/declared
	%	%	RM'000
31 January 2000	20	-	12,000
31 January 2001	20	-	12,000
31 January 2002	20	-	12,000
31 January 2003	20	-	12,000
31 January 2004	180	-	108,000

11. ACCOUNTANTS' REPORT**7. SUMMARISED INCOME STATEMENTS****7.1 Proforma Group**

The proforma consolidated financial results of MSB for the past five financial years ended 31 January 2004, are provided for illustrative purposes based on the audited financial statements of MSB and MSCRC, assuming that the Group had existed throughout the years under review.

	----- Year ended 31 January -----				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Revenue	197,927	181,724	160,194	201,085	269,577
Gross profit	41,299	34,269	21,039	38,341	37,599
Profit before finance costs, depreciation and tax expense/income	47,513	40,435	28,979	43,217	43,700
Finance costs	(52)	-	-	-	(1,896)
Depreciation	(10,646)	(10,379)	(9,926)	(9,323)	(9,155)
Profit before tax	36,815	30,056	19,053	33,894	32,649
Tax (expense)/income	(30)	(63)	18,556	(9,949)	(9,079)
Profit after tax	36,785	29,993	37,609	23,945	23,570
Paid-up capital comprising ordinary shares of RM1.00 each ('000)	134,062	134,062	134,062	134,062	134,062